

WESTERN DEPARTMENT STORES

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

REPORT to STOCKHOLDERS

January 31, 1953

Stores operated:

OLDS & KING

Portland
Est. 1851

KAHN'S

Oakland
Est. 1879

RHODES

Tacoma
Est. 1892

WESTERN DEPARTMENT STORES

A California Corporation

Incorporated in 1937

BOARD OF DIRECTORS

HAROLD V. BOGGS

JOHN J. GOLDBERG

R. L. CHILDS

ELLIOTT McALLISTER

HERBERT E. CLAYBURGH

JOHN J. REILLY

HERBERT I. DUNN

JOHN J. REILLY, JR.

F. A. WICKETT

OFFICERS

JOHN J. REILLY President

JOHN J. REILLY, JR. Executive Vice-President

HERBERT E. CLAYBURGH Vice-President

HAROLD V. BOGGS Vice-President and Manager of Kahn's

A. K. HUMBLE Vice-President and Manager of Rhodes

R. L. CHILDS Secretary and Treasurer

JOHN J. GOLDBERG Assistant Secretary

L. L. RUSCH Assistant Secretary

H. W. RHEUBOTTOM Assistant Treasurer

LEGAL COUNSEL

JESSE H. STEINHART

PUBLIC ACCOUNTANTS

PRICE WATERHOUSE & Co.

TRANSFER AGENT

THE ANGLO CALIFORNIA NATIONAL BANK

OF SAN FRANCISCO

No. 1 Sansome Street

San Francisco 20, California

REGISTRAR

WELLS FARGO BANK & UNION

TRUST Co.

Montgomery and Market Streets

San Francisco 4, California

Annual Stockholders' Meeting . . . Oakland, California, Tuesday, April 28, 1953, 11:00 o'clock A.M.
Executive Offices 1501 Broadway, Oakland, California (Kahn's Department Store)

OAKLAND 12, CALIFORNIA
April 3, 1953

To the Stockholders of
WESTERN DEPARTMENT STORES:

Submitted herewith are financial statements of your corporation for the fiscal year ending January 31, 1953, examined and reported upon by our independent auditors, Price Waterhouse & Co. These statements reflect the operation by the corporation of its three department stores: Kahn's, Oakland, California; Olds & King, Portland, Oregon; and Rhodes, Tacoma, Washington.

Sales for the year were \$31,929,738 compared with \$31,235,815 in the previous year, an increase of 2.2%.

Net income was \$1,065,249, equal to \$1.55 per share, compared with net income of \$1,053,534, equal to \$1.52 per share in the previous year. (Net income for previous year includes an excess profits tax refund of \$65,000 paid for the fiscal year 1950).

Merchandise inventories on January 31, 1953, including goods in transit, were \$3,992,295 compared with \$3,670,041 on January 31, 1952.

Working capital of the corporation at the end of the year was \$7,583,698, compared with \$7,266,887 at the end of the previous year. The ratio of current assets to current liabilities was 3.38 to 1, compared with 3.67 to 1 the previous year.

Customers Accounts Receivable at the end of the year were \$4,873,638 compared with \$4,137,597 at the end of the previous year.

The corporation continued quarterly dividends at the rate of 20¢ per share and a dividend of 20¢ was paid April 3, 1953.

In accordance with provisions of the corporation's Profit-Sharing Retirement Plan, the corporation contributed for the past fiscal year \$120,261, compared with \$123,892 for the previous year. At January 31, 1953 there were 926 employees participating in the Plan, which is over 95% of the total number of employees eligible to participate.

Your management expresses its sincere thanks to all of the employees of your corporation for their cooperation and assistance during the past year.

Notice of Annual Meeting of Stockholders and form of Proxy are enclosed. We hope you will attend; however, if you cannot be present, we will appreciate your completing and forwarding your proxy.

For the Board of Directors

JOHN J. REILLY, *President.*

WESTERN DEPAI

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BALANC

(See accompanying notes

ASSETS

	January 31	
	1953	1952
Current Assets:		
Cash in banks and on hand.....	\$ 2,008,057	\$ 2,048,046
Accounts receivable:		
Customers, less provision for doubtful accounts—1953, \$193,180; 1952, \$164,171	\$ 4,680,458	\$ 3,973,426
Sundry	87,191	295,718
	<u>\$ 4,767,649</u>	<u>\$ 4,269,144</u>
Inventories of merchandise:		
On hand, at or below cost, as determined by the retail inventory method	\$ 3,594,215	\$ 3,339,685
In transit, at cost	398,080	330,356
	<u>\$ 3,992,295</u>	<u>\$ 3,670,041</u>
Total current assets.....	<u>\$10,768,001</u>	<u>\$ 9,987,231</u>
Miscellaneous Investments, Deposits and Advances:		
Store repairs and improvements, recoverable from lessor.....	\$ 104,894	\$ 119,736
Investments (at cost) and insurance and other deposits.....	79,270	52,356
	<u>\$ 184,164</u>	<u>\$ 172,092</u>
Properties, at cost:		
Buildings, furniture and fixtures, etc.....	\$ 2,156,709	\$ 2,021,426
Leasehold and improvements to leased buildings.....	3,286,308	3,250,853
	<u>\$ 5,443,017</u>	<u>\$ 5,272,279</u>
Less—Accumulated depreciation and amortization.....	2,304,293	2,104,147
	<u>\$ 3,138,724</u>	<u>\$ 3,168,132</u>
Land	51,500	51,500
	<u>\$ 3,190,224</u>	<u>\$ 3,219,632</u>
Unexpired Insurance, Prepaid Taxes and Other Deferred Expenses.....	<u>\$ 241,038</u>	<u>\$ 281,459</u>
	<u><u>\$14,383,427</u></u>	<u><u>\$13,660,414</u></u>

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(Corporation)

E SHEET

(to financial statements)

LIABILITIES

January 31

1953

1952

Current Liabilities:

Accounts payable	\$ 1,621,728	\$ 1,366,121
Payrolls, taxes and other accrued liabilities.....	767,295	735,081
Federal taxes on income, estimated.....	1,195,280	1,069,142
Less—United States Treasury Savings Notes—Tax Series D.....	(600,000)	(600,000)
Note payable to bank—instalment due within one year (Note 1)...	200,000	150,000

Total current liabilities.....	\$ 3,184,303	\$ 2,720,344
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Note Payable to Bank (Instalments due after one year) (Note 1).....	\$ 800,000	\$ 1,000,000
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Employees' Subscriptions to Five Year Convertible Notes (Note 2)	\$ 14,334	\$ 2,497
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Capital and Surplus:

Common stock, par value \$0.25 per share:

Shares authorized	1,200,000		
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Shares issued	702,728	\$ 175,682	\$ 175,682
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Less—In treasury (6,600 shares purchased during year)	16,600		
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Outstanding.....	686,128		
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Other capital (Note 3).....	1,850,390	1,850,390	
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Earned surplus, per accompanying statement (Note 1).....	8,358,718	7,911,501	
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	\$10,384,790	\$ 9,937,573	
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\$14,383,427

\$13,660,414

WESTERN DEPARTMENT STORES
STATEMENT OF INCOME AND EARNED SURPLUS

	Year ended January 31	
	1953	1952
Net sales, including leased departments.....	\$31,929,738	\$31,235,815
Less—Sales of leased departments.....	5,692,970	4,633,364
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	\$26,236,768	\$26,602,451
Cost of merchandise sold.....	17,188,546	17,465,173
	<hr/>	<hr/>
Gross profit—owned departments.....	\$ 9,048,222	\$ 9,137,278
	<hr/>	<hr/>
Gross income from leased departments.....	752,432	612,480
Other income and credits.....	239,908	148,743
	<hr/>	<hr/>
	\$10,040,562	\$ 9,898,501
	<hr/>	<hr/>
Selling, general and administrative expenses.....	\$ 7,458,093	\$ 7,525,230
Contribution under profit sharing retirement plan.....	120,261	123,892
Provision for depreciation and amortization.....	208,776	186,785
Interest expense	33,183	39,060
	<hr/>	<hr/>
	\$ 7,820,313	\$ 7,874,967
	<hr/>	<hr/>
	\$ 2,220,249	\$ 2,023,534
	<hr/>	<hr/>
Provision for estimated federal taxes on income:		
Income taxes	\$ 1,155,000	\$ 1,035,000
Refundable excess profits tax.....		(65,000)
	<hr/>	<hr/>
	\$ 1,155,000	\$ 970,000
	<hr/>	<hr/>
Net income for year.....	\$ 1,065,249	\$ 1,053,534
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Earned surplus at beginning of year.....	7,911,501	7,412,024
	<hr/>	<hr/>
	\$ 8,976,750	\$ 8,465,558
	<hr/>	<hr/>
Dividends paid in cash, \$0.80 per share.....	\$ 552,741	\$ 554,057
Cost of 6,600 shares of the Company's capital stock purchased for treasury	65,291	
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	\$ 618,032	\$ 554,057
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Earned surplus at end of year (Note 1).....	\$ 8,358,718	\$ 7,911,501
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WESTERN DEPARTMENT STORES

NOTES TO FINANCIAL STATEMENTS

January 31 1953

NOTE 1:

The balance of the note is payable in annual instalments of \$200,000. The loan agreement with the bank provides that, without the prior written consent of the bank, the Company will not declare or pay any dividends except from earnings subsequent to January 31 1947. The undistributed earned surplus since that date amounted to \$4,428,243. The Company has also agreed that during the term of the loan it will not permit its net current assets to decline below \$3,000,000 or its ratio of current assets to current liabilities to be less than two to one.

NOTE 2:

Employee subscriptions to Five Year Convertible Notes as at January 31 1953 were as follows:

Collections under 1951 subscription agreements to Five Year Convertible Notes of a face value of \$55,000, maturing May 1, 1956.....	\$12,658
Collections under 1952 subscription agreements to Five Year Convertible Notes of a face value of \$100,000, maturing December 1 1957.....	1,676
	<u>\$14,334</u>

The subscription agreements provide that at least 1/60th of the purchase price shall be paid on execution of the agreement and at least 1/5th of the balance shall be paid annually thereafter; the agreements are not transferable. On termination of employment, amounts paid by employees are refundable and all rights under the agreements cease. The Five Year Convertible Notes are to be issued when the full subscription price has been received and will bear interest at 3% per annum from date of issuance; the notes are convertible at any time on or before maturity, at the option of the holder during the continuance of his employment, into common stock in the ratio of 10 shares of stock for each \$110 of face value as to 1951 subscriptions, and in the ratio of 10 shares of stock for each \$100 of face value as to 1952 subscriptions.

NOTE 3:

Other capital consisted of:

Excess of par value of 6% cumulative convertible preferred stock over par value of common stock issued upon conversion.....	\$1,610,040
Excess of proceeds from sale of convertible notes over par value of common stock issued upon conversion	240,350
	<u>\$1,850,390</u>

NOTE 4:

Leases for two of the stores expire in 1975; they provide for rentals computed as a percentage of sales, subject to a minimum annual rent. The lease for the third store, expiring in 1972, provides for a flat monthly rental plus real estate taxes in excess of a specified amount until 1957 and thereafter percentage rentals, subject to a minimum annual amount. The minimum rental obligation under these leases and the total amount of rent and other charges paid thereunder for the year ending January 31 1953 were \$493,500 and \$823,768, respectively.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of

WESTERN DEPARTMENT STORES:

In our opinion, the accompanying financial statements, together with the notes thereto, present fairly the position of Western Department Stores at January 31 1953 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & Co.

San Francisco
March 24, 1953

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FEDERAL BUREAU OF INVESTIGATION